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FISCAL IMPACT STATEMENT

LS 7237

BILL NUMBER: HB 1397

NOTE PREPARED: Jan 27, 2013

BILL AMENDED:

SUBJECT: Student-Centered School Funding.

FIRST AUTHOR: Rep. DeVon

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes a school funding formula for the state fiscal year beginning July 1, 2014, and ending June 30, 2015. It provides that state tuition support is payable to both public and private schools based on the ADM count of each school.

The bill establishes the School Funding Task Force to assist the General Assembly in developing funding categories and funding weights to use in allocating state tuition support among schools based on the relative educational cost of educating each student.

The bill reduces the amount of Choice Scholarship payable to a student by the amount of state tuition support provided to the private school that the student attends.

The bill provides for payment of state tuition support at the beginning of a school year based on an estimate of the number of students that are likely to be included in the fall ADM count conducted in that school year. It provides a procedure for reconciling overpayments and underpayments resulting from the use of estimates.

The bill eliminates start-up grants and loans to charter schools. It requires state and federal funds, to the extent permitted by law, to be distributed and used on a per-student basis.

The bill provides for budgeting, accounting, and management of educational expenditures from state and federal funds on a school-by-school basis.

The bill provides that the State Superintendent of Public Instruction must exercise supervision of school funds

and revenues under the direction of the State Board of Education. It defines the terms "elementary school" and "high school" to include combined schools such as a middle school.

The bill makes an appropriation for state tuition support distributions.

Effective Date: June 30, 2013; July 1, 2013.

Explanation of State Expenditures: This bill appropriates tuition support of about \$7.1 B to public and nonpublic schools for FY 2015. There is no appropriation in the bill for FY 2014.

The bill continues the current formula until June 30, 2014, but does not update the calculations of regular tuition support for the first six months of CY 2014. It would require distributions of about \$3.15 B for the last six months of CY 2013 and about \$427 M for the first six months of CY 2014. Tuition support categoricals (special education, honors diploma, career and technical education, and primetime grants) would be funded under current statute at the 2013 funding levels. The bill specifies no foundation amount or time line for the transition-to-foundation calculations for CY 2014.

The bill establishes a school funding task force consisting of a maximum of 11 members. The bill requires the task force in 2013 to recommend to the General Assembly a funding formula for the distribution of state tuition support after June 30, 2014, that complies with the requirements of the bill. The task force may recommend more than one alternative funding formula. Beginning in 2014 and every two years thereafter, the task force must review and recommend to the General Assembly any revisions to the funding formula for state tuition support. The expenses of the task force, assuming about six meetings, could be about \$19,000. The task force is required to consider the following factors in determining the funding categories and funding weights:

1. Grade level.
2. Relative income of the households in which the eligible pupils reside.
3. Familiarity with the English language.
4. Past achievement level.
5. Status as high-ability learners.
6. Disability status or other participation in special education programs.
7. Participation in career and technical education studies.

Explanation of State Revenues:

Explanation of Local Expenditures: The bill moves the budgeting and operation of schools from the school corporation to the school building. The bill could increase staffing that school principals need to operate schools. This could increase operational cost by \$180 M annually, assuming each school principal in the state would need one additional person to help oversee the budget and expenditures at the school building level and assuming an annual salary of \$80,000 plus fringe benefits that total about 21% of salary cost. This increase in cost at the school building level could be offset by possible decreases in administration at the school corporation level since budget functions are moved from the school corporation to the school building.

The bill also requires each teacher in consultation with the parent, and the student when age-appropriate, to establish the academic growth goals for the student at the beginning of the school year and to regularly measure the student's growth during the year. The impact of this provision would depend on the additional time required before the start of the school year for teachers to meet with the parents and students or whether this could be done as part of the school year. Each additional day that might have to be added for teachers to complete these

tasks could cost about \$30 M.

Explanation of Local Revenues: (See *explanation of State Expenditures*.) The bill could shift funding among public schools, depending on the formula recommended by the task force. The state tuition support and most federal funds are currently sent to school corporations, which then use the revenue to fund operations of school buildings and other school corporation functions. The level of funding per student may vary by school building, depending on the salaries paid to teachers and other personnel in each building. So, with the new formula, some school buildings may receive more funding from the state than currently received from the school corporation, and some may receive less. The potential shifts and variation in funding among school buildings under the bill is unknown.

Under the bill, starting in FY 2015, the school formula would also include nonpublic school students in the school formula calculations.

State Agencies Affected: Department of Education.

Local Agencies Affected: Public and nonpublic schools.

Information Sources: Department of Education databases.

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